

Statement by Chairman Tom Davis
Government Reform Committee
Oversight Hearing on: “Cutting Out Waste, Fraud, Mismanagement,
Overlap, and Duplication: Exploring Ideas for Improving Federal
Reorganization, Management and Spending”
July 16, 2003

The Fiscal Year 2004 Budget Resolution requires each Congressional Committee to identify waste, fraud, and mismanagement in mandatory spending programs in their jurisdictions – and report their findings to the Budget Committee. Unlike discretionary programs – where each Federal agency must justify its spending each year before the Appropriations Committee – mandatory spending proceeds on auto-pilot unless the Congress takes an active role in overseeing these programs and intervening where appropriate.

The purpose of this hearing is to examine the mandatory programs for which this Committee is responsible and identify where these programs are vulnerable to waste, fraud, and mismanagement.

The Budget Committee, pursuant to the budget resolution, has directed this Committee to find savings of \$827 million in fiscal year 2004, \$4.5 billion over the next five years and, \$9.9 billion over the next ten years. We have been directed to find these savings in waste, fraud, and mismanagement – not through changes in policy. This will prove to be a challenging task. This is the third highest total that any committee in the House has been asked to find.

Nearly all of the mandatory spending under this Committee’s direct jurisdiction consist of payments to Federal retirees – pension, disability, and health benefits – which are administered by the Office of Personnel Management.

We have asked the Inspector General of the OPM, the Honorable Patrick McFarland, to testify today about the ongoing effort to combat waste, fraud, and mismanagement in these programs and to recommend legislative changes that might further his efforts.

The Federal Employees Health Benefits Program, the Retirement Programs, and the Federal Employees Group Life Insurance Program represent OPM’s three largest programs that are within the mandatory spending jurisdiction of this Committee.

In the administration of the Health Benefits Program, the Inspector General has identified potential savings by ending improper payments by the government to carriers for claims made by health care providers and suppliers. According to the Inspector General, these improper payments include false claims for services not rendered, falsified billing codes that result in higher rates of reimbursement, illegal or unnecessary procedures for patients, and defective pricing. Savings in the Retirement Programs could be achieved by preventing erroneous payments of benefits after an annuitant's death and by reducing computation errors.

I also look forward to hearing about the OPM Inspector General's initiative to utilize computer technology to develop effective data warehouse and data mining techniques to more effectively recover funds diverted through waste, fraud, and mismanagement. Implementation of these applications should lead to a more comprehensive claims auditing process, which should, in turn, result in increased discovery and recovery of fraudulent overpayments.

I believe, however, that we will have to look beyond erroneous payments to Federal retirees in order to meet the savings targets set in the budget. This Committee has a unique legislative jurisdiction that allows us to look at the overall management and efficiency of government operations and activities – as well as efforts to reorganize government agencies.

We are the only committee in the House that has the jurisdiction to address management and reorganization issues on a government-wide basis. When the budget resolution was considered in the House, I received assurance from Chairman Nussle of the Budget Committee that we would receive full credit for addressing these issues that are within our government-wide legislative jurisdiction.

We have invited the General Accounting Office to testify about both the savings that might be achievable in the Committee's mandatory spending and on the broader issues where this Committee may be able to play an important role. I have asked GAO to draw from its on-going work in its High-Risk Series and from the work on its annual Budgetary Implications report to address these areas.

In the case of payments to ineligible individuals that waste taxpayer dollars and undermine benefit programs, I am hopeful that today's testimony will help us continue our

efforts to promote government-wide solutions that address improper payments in government benefit programs.

GAO will also highlight for us programs where streamlining and consolidation can save the taxpayer money – while continuing to provide the same federal services. GAO Managing Director Paul Posner will enlighten the Committee on these subjects.

We will also question the witnesses about potential solutions. For example, can we reduce posthumous payments to annuitants by requiring prompt reporting of deaths? Will providing more resources for the OPM Inspector General yield substantial reductions in improper payments?

Rooting out waste, fraud, and mismanagement is neither a Republican nor a Democratic issue. I hope that we will work together to identify and address areas that can reduce spending while maintaining the benefits that our federal employees and retirees have earned.

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